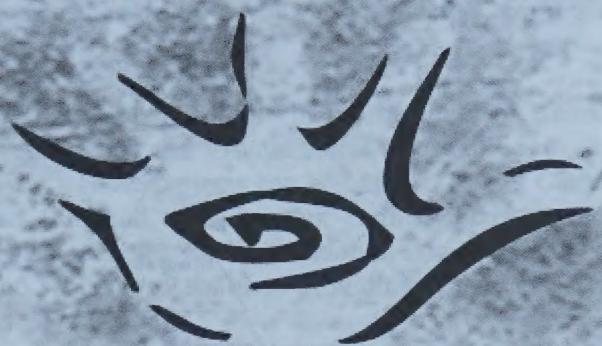


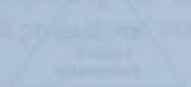
RAINMAKER INCOME FUND

ANNUAL REPORT 2005

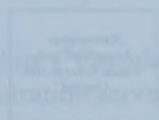


EP Canada LP

EP Canada Limited Partnership ("EP Canada LP") provides a range of services to the commercial film and television industry. EP Canada LP offers a full range of payroll services and is a leading provider of payroll services to the film and television industry. EP Canada LP has a reputation in the industry for quality service, financial accuracy, and industry expertise. The partnership provides full service payroll and benefits administration, including payroll processing, tax filing, and employee benefits administration. EP Canada LP is a leading provider of payroll services to the film and television industry. EP Canada LP is a leading provider of payroll services to the film and television industry. EP Canada LP is a leading provider of payroll services to the film and television industry.



100% of EP Canada LP's



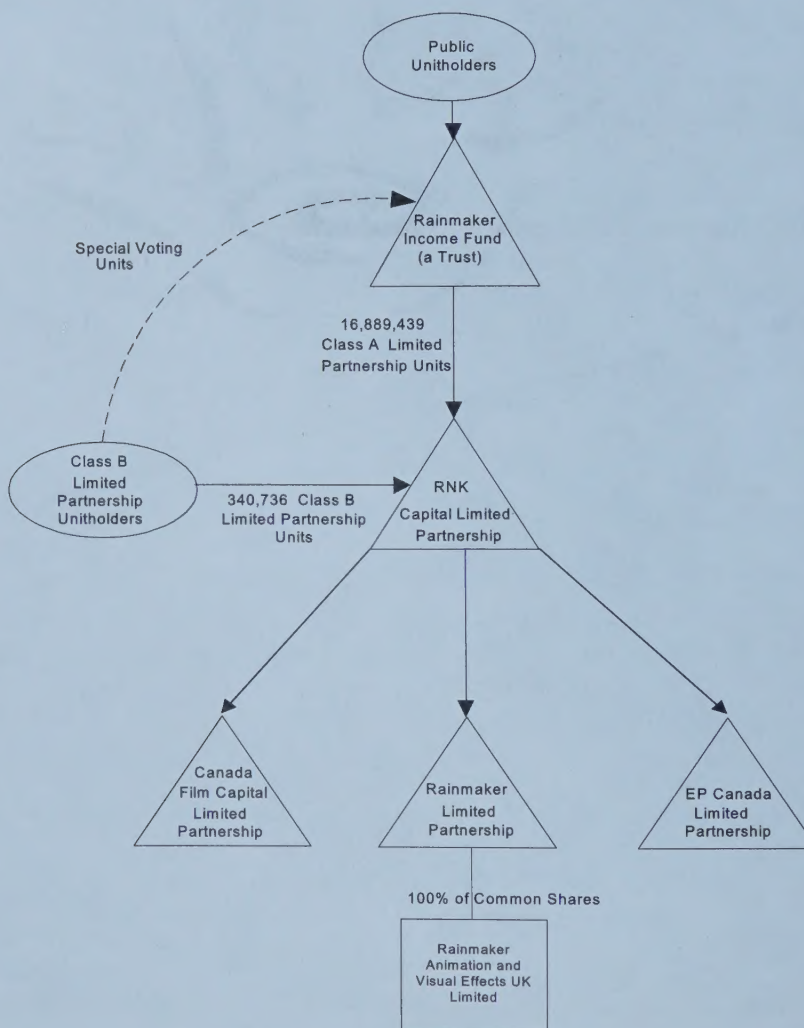
Canada Film Capital LP

Canada Film Capital Limited Partnership ("Canada Film Capital LP"), located in Toronto, Ontario, provides a range of services to the film and television industry. Canada Film Capital LP is a leading provider of payroll services to the film and television industry. Canada Film Capital LP is a leading provider of payroll services to the film and television industry. Canada Film Capital LP is a leading provider of payroll services to the film and television industry.

FUND PROFILE

Rainmaker Income Fund (the "Fund") is an unincorporated open-ended limited purpose trust established under the laws of the Province of British Columbia and is listed on the Toronto Stock Exchange under the symbol RNK.un.

Headquartered in Vancouver, British Columbia, the Fund through its ownership in RNK Capital Limited Partnership ("RNK Capital LP") owns 100% of three limited partnerships providing a range of services to the film and television industry in Canada.



Rainmaker LP

Rainmaker Limited Partnership ("Rainmaker LP") is located in Vancouver and is a leading full service provider of post-production services to film and television producers. Post production is an integral phase of film and television production during which the raw sound and picture elements captured during production are shaped into a final product for distribution. Post production services are an essential component of feature films, television programs, commercials and instructional videos. Post production services include film processing and printing, telecine transfers of film images to analog and digital media, duplication, editing, title design, creation of visual and special effects (including computer animation and digital visual effects) and audio recording, editing and mixing. Rainmaker LP began operations in 1979 and since then has grown with the increasing volume of production work in British Columbia. Rainmaker has expanded and diversified its range of post production services over the years and is now the largest facility in western Canada, offering a wide range of services including a film laboratory, digital video post, (which includes film to video tape transfers, editing and duplication) and digital visual effects.

Visual effects is playing an increasingly important role in the business of Rainmaker LP. In 2005 Rainmaker hired a new President of Animation and Visual Effects whose role is to expand the business to compete for top level projects globally. These projects can be handled by our Canadian operation while still being able to access Canadian film and television tax credits, thereby giving us an additional competitive advantage. Rainmaker also opened a small operation in London, England, in 2005 to provide services on *The Da Vinci Code*, and we plan to continue providing boutique services in the important U.K. market.

EP Canada LP

EP Canada Limited Partnership ("EP Canada LP") provides payroll and employer of record services to the commercial, film and television industry. With offices in Toronto and Vancouver, EP Canada LP offers a full range of payroll services and state-of-the-art products, along with in house experts who provide training, service and support. In business since 1979 through its predecessor company, EP Canada LP has a reputation in the industry for quality service, financial security, and industry expertise. For processing payroll for on-set cast and crew employees, clients rely on *EP on Location®*, a unique software solution, and *EP Plus®* a premium service solution, where payroll is independently calculated from hours to gross to net cheque. In addition, EP Canada LP provides all required administration, remittances and reporting to unions and governments along with Records of Employment upon completion of each project and tax slip reporting at year end.

Canada Film Capital LP

Canada Film Capital Limited Partnership ("Canada Film Capital LP"), located in Toronto, Ontario, provides tax credit financing and administration services to the film and television industry.

Financial Highlights

All amounts are in 000's of dollars, except per unit figures

	2005	2004	2004	2003
		(Note 1)	(Note 1)	
Revenue	28,291	28,761	28,761	29,581
Net earnings	2,581	4,971	7,971	6,655
Operating cash flow	9,565	6,813	9,813	11,157
Capital expenditures	2,182	2,791	2,791	2,384
Distributable cash	4,594	5,378	8,378	6,907
Distributable cash - per unit	0.33	0.47	0.74	0.61
Distributions declared	6,621	5,897	5,897	7,712
Distributions declared - per unit	0.48	0.52	0.52	0.68
Total assets	66,739	22,570	22,570	24,487
Debt	19,149	2,492	2,492	3,414

Note 1: Fiscal 2004 includes the proceeds of a life insurance claim of \$3.0 million. As this is not expected to be a recurring item, the earnings and distributable cash calculations are also presented excluding the life insurance proceeds.

Monthly cash distribution of \$0.04 per unit commenced in June 2002, following the completion of the conversion to an income trust on May 31, 2002. Based on the initial conversion price of \$3.33 the annual pre-tax return on investment to December 31, 2005 was 16.7%.

MESSAGE TO UNITHOLDERS

2005 proved to be an interesting year in which to begin my tenure as Chief Executive Officer of Rainmaker Income Fund. While the first half of the year presented a number of challenges to the industry and our business, I am pleased to report that the latter half of 2005 paints a much rosier picture and bodes well for 2006.

The early challenges of 2005 to the film and television industry were largely resolved by mid-year. The B.C. government stepped up to the plate and announced an increase in its tax credit, and business came flooding back to the province. The Canadian dollar appears to have settled into a manageable state. Even throughout this challenging period we maintained our monthly distributions having noted indicators of a return to normal levels of production and being confident in the industry turnaround. We believe this strategy has served our unitholders well and the company has emerged in solid shape from this period.

The latter part of the year saw an abundance of corporate activity at the Fund. In June we hired a highly-regarded and seasoned veteran as our President of Animation & Visual Effects. Our Visual Effects business is poised to assume a top-tier position in competing for A-level projects. Late in the year we were contracted to provide visual effects services on *The Da Vinci Code* in London, England where we continue to build our operation to provide services for other customers.

In the third quarter, the Fund, through its subsidiary RNK Capital LP, completed the acquisitions (the "Rainmaker Acquisitions") of all of the partnership units of EP Canada LP and Canada Film Capital LP for a total cash payment of \$18.2 million plus costs of \$746 thousand. The acquisitions of EP Canada LP and Canada Film Capital LP helped to diversify the service and geographic offerings of Rainmaker LP, the other operating entity of the Fund. Each of EP Canada LP and Canada Film Capital LP came with experienced management personnel who have been involved in the film and television industry for many years. The Rainmaker Acquisitions were financed by a private placement of trust units at \$3.25 per unit for total proceeds of \$19.0 million. The EP and CFC acquisitions have been successfully integrated into the Fund and have proven to be positive contributors to cash flow and accretive acquisitions as anticipated.

Upon completion of the acquisitions, I was appointed CEO and a trustee of the Fund. I was formerly the President of Comweb Group Inc., the previous parent company of EP Canada Inc. and Comweb Film Capital Corporation.

The results for 2005 include the operations of EP Canada LP and Canada Film Capital LP from August 4, 2005, the date of the Rainmaker acquisition. The earnings of the recently acquired businesses together with a turnaround in the industry and in the financial performance of Rainmaker LP for the last six months of 2005 have all contributed a significant improvement compared to the first half of 2005.

Outlook

Heading into 2006, we are optimistic. Rainmaker LP is coming off a strong second half of 2005 and tax credit programs in British Columbia have been increased and renewed for a multi-year period. Within Rainmaker LP, visual effects is off to a strong start as we are working on *Garfield 2* for Fox Studios, our largest feature film project to date, in addition to having completed work on other studio projects such as *She's The Man* and *Firewall*. As well, EP Canada LP had a very strong finish to 2005 recording record earnings for the last five months of the year and at this point the outlook for 2006 looks strong again.

We continue to look at a number of strategic acquisition options within the film and television industry. Further, it is the Fund's intention to continue to grow, both organically and by acquisition. To that end we have hired the services of a full time consultant to identify and evaluate potential acquisitions for the Fund. We are pursuing businesses that are attractive as income fund vehicles but may not have the resources or scale to become an income fund on their own. While continuing to grow on the entertainment side, our acquisition strategy will allow us to diversify across industries thereby adding strength to the existing platform and helping to manage the cyclical nature of the film and television industry.

I would like to thank Unitholders for their support and management for its diligence through a difficult period of operations and the integration of the acquisitions. With the turnaround in the production market in Canada, our new U.K. office, and a continuing, thoughtful acquisition strategy, we are looking forward to an improved year in 2006.

"Mark Prior"

*Mark Prior, CEO
Rainmaker Income Fund*

Outlook

Heading into 2006, we are optimistic. Rainmaker LP is coming off a strong second half of 2005 and the credit programs in British Columbia have been increased and renewed for a multi-year period. Within Rainmaker LP, visual effects is off to a strong start as we are working on several projects, the largest feature film project to date, in addition to having completed work on other studio projects such as The Jinx and Freedom. As well, EP Canada LP had a very strong focus in 2005 securing several earnings for the last five months of the year and at this point the outlook for 2006 looks strong again.

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis is prepared by management as of March 15, 2006 and should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2005, which are prepared in accordance with Canadian generally accepted accounting principles.

All dollar amounts presented in this document are in Canadian dollars.

Throughout this management discussion and analysis reference to the Fund is on a consolidated basis and includes the operations of the three principal operating entities Rainmaker LP, EP Canada LP and Canada Film Capital LP.

Forward-looking Statements

Some of the statements contained in this annual report and the management Discussion and Analysis are forward looking statements subject to risks and uncertainties. A number of factors could cause actual results to differ materially from those expressed in forward-looking statements, including but not limited to: decisions of foreign producers to operate in Canada and British Columbia, fluctuations in government policies, the effect of seasonality, fluctuations in currency exchange rates, income tax matters, changes in technology and capital expenditure requirements, acquisitions the Fund may undertake in the future and general economic conditions in North America. The Fund competes in a global marketplace and market conditions will vary on a year-by-year basis. Forward-looking statements are made based on current information at the time the statement is made. The Fund does not assume responsibility for the accuracy and completeness of forward-looking statements and does not undertake any obligation to publicly revise these forward-looking statements to reflect new information, subsequent events or changes in circumstances.

Overall Performance

The first half of 2005 and especially the first quarter saw the Fund report disappointing results. The decision regarding location of productions is made well in advance of the commencement of production. Production spending in British Columbia was impacted by the rapid rise in the value of the Canadian dollar during the fourth quarter of 2004 and the delay of the British Columbia government to announce the increase in the rate of tax credits to match those of Ontario until late in January 2005.

The second half of the 2005 saw a significant turnaround in the production activity in British Columbia which led to much improved results for Rainmaker LP's post and lab services. In addition Rainmaker LP was able to secure a significant visual effects project, which was completed in the second half of the year. Finally the results of the Fund were significantly improved as a result of the acquisitions of EP Canada LP and Canada Film Capital LP, which was completed on August 4, 2005.

Selected Annual Information

The following information is derived from the consolidated financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles.

All amounts are in 000's of dollars, except per unit figures

	Years ended December 31,		
	2005	2004	2003
Revenue	(Note 1)		
Rainmaker LP			
Video Post	10,269	11,480	12,554
Visual Effects	6,964	13,216	11,999
Film Lab	1,761	2,957	3,983
Other	1,237	1,108	1,045
	20,231	28,761	29,581
EP Canada LP	6,287	-	-
Canada Film Capital LP	1,773	-	-
	28,291	28,761	29,581
Expenses			
Operating	20,214	18,622	17,515
General and administration	1,313	943	926
	21,527	19,565	18,441
Earnings before undernoted items	6,764	9,196	11,140
Depreciation and amortization	4,360	3,133	3,338
Life insurance proceeds	-	(3,000)	-
Other	27	522	547
Earnings before income tax	2,377	8,541	7,255
Income tax expense (recovery)	(205)	105	114
Earnings before non-controlling interest	2,582	8,436	7,141
Non-controlling interest	(1)	(465)	(486)
Net earnings for the period	2,581	7,971	6,655
Net earnings per unit - basic	0.19	0.74	0.62
Net earnings per unit - diluted	0.19	0.73	0.62
Distributions declared	0.48	0.52	0.68

Note 1 The 2005 includes the results of operations for EP Canada LP and Canada Film Capital LP from August 4, 2005, the date of acquisition.

Results of Operations

December 31, 2005 compared with December 31, 2004

Revenue

Revenue decreased to \$28.3 million in 2005 from \$28.8 million in 2004. The decrease was as a result of a decrease in the revenue from Rainmaker LP of \$8.6 million, which was principally in visual effects, offset by an increase in revenue of \$8.1 million following the acquisitions of EP Canada LP and Canada Film Capital LP.

Revenue for Rainmaker LP for 2005 decreased 29.9% to \$20.2 million in 2005 from \$28.8 million in 2004 due principally to a drop in revenue from visual effects. Revenue from visual effects in the first half of 2005 was down significantly due to the cancellation of a major feature film project. Revenue for video post decreased 10% in 2005 to \$10.3 million from \$11.5 million in 2004. Revenue from video post was at a historically low level for the first six months of 2005 as the Canadian dollar had rapidly appreciated late in 2004 and the British Columbia government did not announce the increase in tax credits to match those of Ontario until late January 2005. The last half of 2005 saw the British Columbia film and television industry recover nicely and revenue for video post for the last six months was \$6.3 million, which resulted in the strongest periods in our history. Revenue for Rainmaker LP's film lab was down 39% in part because of the slow first half experienced by the British Columbia production industry and in part because the number of productions using high definition cameras to capture images rather than film increased from 2004. This trend seems to have slowed and for 2006 we would expect revenues for the film lab to be in line with those of 2005.

EP Canada LP reported revenue of \$6.3 million for the period from the date of acquisition, August 4, 2005, to December 31, 2005. This performance was ahead of expectations and represented one of the strongest operating periods in the history of EP Canada LP.

Canada Film Capital LP reported revenue of \$1.8 million following the acquisition on August 4, 2005, which was in line with expectations.

Operating and general and administration expenses

Operating costs increased to \$20.2 million in 2005 from \$18.6 million in 2004. The acquisitions of EP Canada LP and Canada Film Capital LP accounted for an increase in operating costs in 2005 of \$4.1 million, while Rainmaker LP had a decrease in operating expenses of \$2.5 million to \$16.1 million in 2005 from \$18.6 million in 2004, which resulted in part from lower revenues and in part from cost cutting measures in response to the slow down in production activity in British Columbia during the first half of the year.

General and administration expenses for 2005 were \$1.3 million as compared with \$943 in 2004, which is an increase of \$370 thousand. EP Canada LP and Canada Film Capital LP together accounted for the increase in general and administration expenses.

Depreciation and Amortization

Depreciation and amortization of property, plant and equipment increased \$737 thousand in 2005 to \$3.8 million as compared to \$3.1 million in 2004. The acquisition of EP Canada LP accounted for \$380 thousand of the increase and the balance resulted from a change in the method of calculating depreciation. Previously the Fund calculated depreciation on its operating equipment on a 20% declining balance whereas effective January 1, 2005 the Fund commenced calculating depreciation on a straight line basis over the estimated useful life, which ranges from 1 to 7 years in Rainmaker LP.

Earnings before income taxes and non-controlling interest

Earnings before income taxes and non-controlling interest decreased to \$2.4 million in 2005 from \$8.5 million in 2004, however 2004 included the proceeds of a life insurance claim of \$3.0 million. Excluding the life insurance proceeds, earnings before income taxes and non-controlling interest for Rainmaker LP decreased by \$5.9 million in 2005 compared to 2004. The decrease was principally attributable to the decline in revenue in Rainmaker LP, which mainly occurred in the first six months of 2005. The acquisitions of EP Canada LP and Canada Film Capital LP together resulted in earnings before income taxes and non-controlling interest of \$2.8 million for 2005.

December 31, 2004 compared with December 31, 2003

Revenue

Revenue decreased 3% to \$28.8 million in 2004 from \$29.6 million in 2003. Revenue from visual effects increased 10% to \$13.2 million in 2004 from \$12.0 million in 2003, primarily due to an increase in the amount of work on feature films. The number of projects which capture images during production using high definition cameras instead of film continued to increase. While this change in capture format resulted in some new services in video post, it also resulted in a decrease in revenue from the film lab. The film lab revenue decreased 26% to \$3.0 million in 2004 from \$4.0 million in 2003. Video post revenue decreased 9% to \$11.5 million in 2004 from \$12.6 million in 2003, primarily due to a decrease in film to tape transfers caused by less film being used in the production process. The revenue in video post of \$11.5 million in 2004 was near historically high levels.

Operating and general and administration expenses

Operating costs increased to \$17.4 million in 2004 from \$16.4 million in 2003, however 2004 included \$898 thousand relating to visual effects work outsourced with no mark up. If these costs were excluded, operating costs for 2004 were \$16.5 million, which was 59.2% of 2004 revenue, whereas for 2003 operating costs were \$16.4 million, which is 55% of 2003 revenue.

General and administration expenses increased slightly to \$943 thousand in 2004 from \$926 thousand in 2003, primarily due to higher office rent.

Earnings before income taxes and non-controlling interest and net earnings

Earnings before income taxes increased to \$8.5 million in 2004 from \$7.3 million in 2003 and net earnings increased to \$8.0 million in 2004 from \$6.7 million in 2003. Both the earnings before income taxes and non-controlling and net earnings for 2004 include \$3.0 million relating to life insurance proceeds, which if excluded would have resulted in earnings before income taxes and net earnings for 2004 of \$5.5 million and \$5.0 million, respectively.

Liquidity and capital resources

The Fund's liquidity needs can be met through a variety of sources. The principal source of cash is from operations. The Fund also generates cash by borrowing against an operating line of credit in Canada Film Capital LP and through capital leases and the issue of units of the Fund.

The primary uses of cash are operating expenses, capital expenditures, interest and principal on capital leases, distributions and acquisitions.

Cash flow from operations, before changes in non-cash operating working capital items, decreased \$5.0 million to \$6.9 million in 2005 compared to \$12.1 million in 2004. The decrease was caused primarily by a significant drop in earnings of Rainmaker LP for the first six months of 2005.

Canada Film Capital LP has a \$33.0 million revolving line of credit which is extendable annually subject to appropriate approvals, with each extension having a duration of 364 days. Canada Film Capital LP uses the line of credit to fund the financing of film and television tax credits to the production subsidiaries through which production services are provided to foreign studios. The bank loan drawn on the line of credit and interest thereon is repayable upon receipt of the film and television tax credits.

Rainmaker LP has an operating line of credit available of up to \$2.0 million, which can be drawn on to fund working capital and other corporate requirements.

Distributable Cash

Distributable cash is not a term defined under Canadian generally accepted accounting principles. The Fund defines distributable cash as cash flow from operations before the change in non-cash operating working capital items adjusted for certain investing activities, including purchases and proceeds on sale of property, plant and equipment and for certain financing activities including repayment of and proceeds from capital leases. The Fund believes that distributable cash is a useful measure used by investors in assessing performance of the Fund and its ability to generate sufficient cash flow to pay distributions.

A reconciliation of distributable cash to the amounts recorded in the financial statements is as follows:

All in 000's of dollars, except per unit figures			
	2005	Adjusted 2004	2004
		(Note 1)	(Note 1)
Cash flow from operations, before change in non-cash operating working capital items	6,934	9,073	12,073
Purchase of property, plant and equipment	(2,182)	(2,791)	(2,791)
Proceeds on sale of property, plant and equipment	5	18	18
Repayment of capital leases	(1,114)	(1,763)	(1,763)
Proceeds of capital lease	951	841	841
Distributable cash	4,594	5,378	8,378
Distributable cash per unit	0.33	0.47	0.74

Note 1: The calculation of distributable cash above for 2004 includes the life insurance proceeds of \$3.0 million. As this is not expected to be a recurring item, the distributable cash calculations are also presented excluding the life insurance proceeds.

Distributable cash earned and available per unit is determined based on the weighted average number of Trust Units of the Fund and Class B LP Units of RNK Capital LP outstanding during each period.

Distributions

It is the Fund's goal to make monthly cash distributions on or about the 15th of each month to unitholders of record as of the last day of the preceding month. Distributions are not guaranteed and depend upon the amount of cash earned, which is ultimately determined by the results of operations and availability of cash from other sources.

Total distributions declared (Fund trust units and Class B LP units) for 2005 were \$6.6 million or \$0.48 per unit as compared with \$5.9 million in 2004 or \$0.52 per unit. Distributable cash for 2005 was \$4.6 million or \$0.33 per unit as compared with \$5.4 million or \$0.47 per unit for 2004. Total distributions declared and paid in excess of distributable cash earned have been paid out of cash balances.

The distributions declared for 2005 are comprised of 100% other taxable income whereas in 2004 they were 99.4% other taxable income and the balance was a return of capital.

Contractual obligations

Below is a summary of the Fund's contractual obligations on a calendar basis, as at December 31, 2005.

All in 000's of dollars		Payments Due by Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Contractual Obligations	Total				
Bank loan	16,519	16,519	-	-	-
Capital lease obligations	2,872	1,257	1,429	186	-
Operating leases (Note 1)	8,351	1,467	3,780	1,836	1,268
Total contractual obligations	27,742	19,243	5,209	2,022	1,268

Note 1 Operating leases are principally building leases for each of Rainmaker LP and EP Canada LP

Capital Resources

Capital expenditures for property, plant and equipment for the year ended December 31, 2005 were approximately \$2.2 million, of which \$951 thousand was financed with a capital lease and the balance from cash flow as compared with \$2.8 million in 2004, of which \$841 thousand was financed with a capital lease and the balance from cash flow.

Capital expenditures for property, plant and equipment are expected to average \$3.2 million per annum, which will be financed with cash flow and or capital leases.

Transactions with related Parties

Canada Film Canada LP is in the business of administering and in some cases financing tax credits for the for foreign film and television producers. As part of these services Canada Film Capital LP incorporates a wholly owned subsidiary company, which is to be used for the production. The foreign producer is responsible for all operational and financial matters regarding the production until such time as the production work in Canada is completed. In some cases Canada Film Capital LP provides only certain administration services relating to the tax credit process in exchange for a fee and in other cases Canada Film Capital LP provides financing of the future film and television tax credits generated by the production. At the conclusion of the production the producer returns the records of the production subsidiary to Canada Film Capital LP which then prepares and files the tax returns to generate the tax credit. As discussed in detail in note 2(i) of the consolidated financial statements the Fund has determined that these production subsidiaries are variable interest entities ("VIE"), however, as the Fund is not exposed to the majority of expected losses or benefits they have not been consolidated. A VIE is an entity in which equity investors do not have a controlling financial interest and include entities where the equity invested is considered insufficient to finance the entity's activities without additional subordinated financial support.

Summary of Quarterly Results

All amounts in 000's of dollars, except per unit figures

	Quarter Ended (Note 1)							
	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005
			(Note 2)				(Note 3)	
Total revenue	7,164	8,330	6,890	6,377	2,739	4,944	9,501	11,107
Net earnings (loss)	729	1,874	4,424	944	(1,553)	295	1,988	1,851
Net earnings (loss) - per unit	0.07	0.18	0.41	0.08	(0.14)	0.03	0.13	0.11
Net earnings (loss) - per diluted unit	0.07	0.17	0.41	0.08	(0.14)	0.03	0.13	0.11

Note 1: Restated for change in accounting policy relating to non-controlling interest

Note 2: Net earnings for the Q3 2004 includes \$3.0 million of life insurance proceeds.

Note 3: The acquisition of EP Canada LP and Canada Film Capital LP was effective August 4, 2005 and the results of operations are consolidated from that date.

The above table provides selected quarterly financial information for the eight most recent fiscal quarters to December 31, 2005. This quarterly information is unaudited, but reflects all adjustments of a normal, recurring nature which are, in our opinion, necessary to present a fair statement of the results of operations for the periods presented. Quarter to quarter comparisons in our financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

Fourth Quarter

The fourth quarter results were a significant improvement over the prior year principally as a result of the acquisition of EP Canada LP which had strong fourth quarter results. There were no unusual fourth quarter transactions and no significant fourth quarter adjustments.

All amounts are in 000's of dollars, except per unit figures

Statement of Operations	Three months ended December 31,	
	2005	2004
Revenue		
Rainmaker LP		
Video post	2,671	2,514
Visual effects	2,730	2,940
Film lab	359	580
Other	299	343
	6,059	6,377
EP Canada LP	3,732	
Canada Film Capiatl LP	1,316	-
	11,107	6,377
Expenses		
Operating	7,261	4,278
General and administration	514	220
	7,775	4,498
Earnings before undernoted items	3,332	1,879
Depreciation and amortization	1,515	737
Other	(98)	98
Earnings before income taxes and non-controlling interest	1,915	1,044
Income tax expense	26	45
Earnings before non-controlling interest	1,889	999
Non-controlling interest	(38)	(55)
Net earnings for the period	1,851	944
Net earnings per unit - basic	0.11	0.08
Net earnings per unit - diluted	0.11	0.08
Statement of Distributable Cash		
Cash flow from operations, before change in non-cash operating working capital items	3,399	1,879
Purchase of property, plant and equipment	(445)	(941)
Repayment of capital leases	(260)	(469)
Distributable cash	2,694	469
Distributable cash per unit	0.16	0.04
Distributions declared per unit	0.12	0.12

Critical Accounting Estimates

The Fund's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. A summary of the significant accounting policies used in the preparation of our financial statements is included in note 2 of the consolidated financial statements for the year ended December 31, 2005. The measurement of certain assets and liabilities is dependent upon future events whose outcome will not be fully known until future periods. Therefore, the preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results will vary from those estimated.

Allowance for doubtful accounts

An allowance for doubtful accounts is recorded for accounts receivable that are considered to be impaired reflecting the inability of our customers to make required payments. The allowance is based on the knowledge of the financial condition of its customers, the aging of receivables and historical experience. A change in one of more of these factors could impact the estimated allowance and provision for bad debts recorded.

Depreciation, amortization and valuation of property, plant and equipment

Depreciation and amortization is charged to operations over the estimated useful life of the property, plant and equipment. In addition, management reviews its property, plant and equipment for evidence of impairment whenever events or circumstances indicate that the carrying value of an asset may exceed its estimated recoverable amount. Due to the rapid change in technology created by high definition television, effective January 1, 2005, the depreciation method for operating equipment was changed from 20% per annum using the declining balance method to the straight line method over the estimated useful life of each asset which can range from 1 to 7 years. This change in estimate has been accounted for prospectively and therefore, has not had an affect on prior period financial statements.

Acquisition accounting

Accounting for an acquisition requires that the purchase price be allocated to the fair value of the net assets acquired, with the residual being goodwill. Estimates are made of the fair value of property, plant and equipment, and intangible assets. The Fund may engage independent advisors to assist management in estimating the fair values.

Goodwill impairment

Goodwill is tested on an annual basis by first comparing the fair value of the reporting unit to its carrying value and then if the carrying value exceeds the fair value the fair value of the reporting units goodwill is compared with its carrying value to determine the amount of impairment. The fair value of the reporting unit is determined by reference to estimated future cash flows and an appropriate valuation multiple. Any impairment in goodwill is expensed in the period of impairment.

Intangible asset impairment

Intangible assets are tested, at a minimum, on an annual basis in the fourth quarter of each year for impairment in value by applying a fair value based test to each intangible asset. The fair value test may incorporate estimates such as future normalized earnings and cash flows, earnings and cash flow multiples, discount rates and residual values. Any impairment in the value of intangible assets is expensed in the period of impairment.

Change in accounting policy

Effective January 1, 2005, the Fund retroactively adopted the new recommendations of the Canadian Institute of Chartered Accountants as described in EIC-151, "Exchangeable Securities issued by subsidiaries of Income Trusts". The Class B LP units issued by RNK Capital LP, a subsidiary of the Fund, which are held by third parties are entitled to receive distributions and are exchangeable for units of the Fund and are transferable in certain circumstances. EIC-151 requires that such securities be classified as non-controlling interest on the balance sheet. The retroactive effect of this change to the consolidated balance sheet as at December 31, 2004 is to increase non-controlling interest by \$1,142,085, decrease unitholders' capital by \$841,326, decrease accumulated distributions by \$994,836, decrease contributed surplus by \$39,357 and decrease accumulated earnings by \$1,256,238. The effect of this change on the consolidated statements of operations for the year ended December 31, 2005 is to decrease the net earnings by \$694.

Risks and uncertainty

The Fund is an unincorporated limited purpose trust. Distributions to unitholders are declared monthly by the trustees and are not guaranteed. The ability to pay cash distributions is entirely dependent upon the earnings and cash flow generated from operations. This may fluctuate with the performance of the businesses, which can be susceptible to a number of risks. These risks may include, but are not limited to dependence on key customers, foreign currency fluctuations, government regulations regarding tax credit programs and competition.. In addition there are certain risks associated with a trust, including the nature of trust units unitholder limited liability, income tax matters and government regulations. We continually take steps to mitigate risks through operating procedures.

Disclosure controls and procedures

The Fund maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to Multilateral Instrument 52-109 is recorded, processed, summarized and reported within time periods specified in the Canadian Securities Administrator's rules and forms. The Fund's Chief Executive Officer and Chief Financial Officer have evaluated the disclosure controls and procedures as of December 31, 2005 and concluded that the current disclosure controls and procedures are effective.

Other

Additional information relating to the Fund, including the Annual Information Form, is available on SEDAR at www.sedar.com. As at March 30, 2006 there were 16,889,439 Trust Units outstanding and 340,736 special voting units outstanding. The special voting units are convertible, at no additional cost, into trust units on a one for one basis.

Management Responsibility for Financial Reporting

Management is responsible for the preparation and presentation of the consolidated financial statements and all other information in the Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and policies in addition to making judgments and estimates necessary to prepare the consolidated financial statements in accordance with Canadian generally accepted accounting principles. It also includes ensuring that the other financial information presented in the Annual Report is consistent with the consolidated financial statements.

The Fund maintains appropriate systems of internal controls, policies and procedures, which provide Management with reasonable assurance that the assets are safeguarded and the financial records are reliable and form a proper basis for preparation of financial statements. The consolidated financial statements have been audited by the Fund's independent auditors, Deloitte & Touche LLP, whose report to the unitholders is included in this Annual Report.

The Board of Trustees of the Fund ensure that Management fulfills its responsibilities for financial reporting and internal control through an Audit Committee. This committee is comprised solely of independent trustees who review the consolidated financial statements and Annual Report and report to the Trustees. The auditors have full and direct access to the Audit Committee.

"Mark Prior"

Mark Prior
Chief Executive Officer

"Mike Barnsley"

Mike Barnsley
Chief Financial Officer

Auditors' Report

To the Unitholders of Rainmaker Income Fund

We have audited the consolidated balance sheets of Rainmaker Income Fund as at December 31, 2005 and 2004 and the consolidated statements of operations, unitholders' equity and cash flows for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years ended December 31, 2005 and 2004 in accordance with Canadian generally accepted accounting principles.

"Deloitte & Touche LLP"

Chartered Accountants
Vancouver, British Columbia
March 30, 2006

RAINMAKER INCOME FUND

Consolidated Balance Sheets

As at December 31,

Expressed in thousands of dollars

Assets	2005	2004
Current		
Cash	\$ 14,976	\$ 5,425
Accounts receivable	7,760	3,233
Loans due from production subsidiaries (Note 21(a)(iii))	17,167	-
Property, plant and equipment held for resale (Note 5 and 22(b))	2,034	-
Other (Note 7)	770	432
	42,707	9,090
Property, plant and equipment (Note 5)	14,633	13,260
Intangible assets (Note 6(a))	7,061	-
Other (Note 7)	384	220
Goodwill (Note 6(b))	1,954	-
	\$ 66,739	\$ 22,570
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 3,683	\$ 2,035
Liability for payroll disbursements (Note 8)	9,598	-
Deferred revenue	1,776	201
Distributions payable	689	907
Bank loan (Note 9)	16,519	-
Current portion of capital lease obligations payable (Note 11)	1,133	982
	33,398	4,125
Capital lease obligations payable (Note 11)	1,497	1,510
Other (Note 10)	719	877
Non-controlling interest (Note 14)	496	1,142
	36,110	7,654
Unitholders' Equity		
Unitholders' capital (Note 12)	33,971	14,408
Accumulated earnings	19,452	16,871
Accumulated distributions	(23,425)	(17,037)
Contributed surplus	631	674
	30,629	14,916
	\$ 66,739	\$ 22,570

Approved by the Trustees:

"Bruce Hodge"

Bruce Hodge, Trustee

"Mark Prior"

Mark Prior, Trustee

See accompanying notes to these consolidated financial statements

RAINMAKER INCOME FUND

Consolidated Statements of Operations

For the years ended December 31,

Expressed in thousands of dollars, except unit and per unit amounts

	2005	2004
Revenue	\$ 28,291	\$ 28,761
Expenses		
Operating	20,214	18,622
General and administration	1,313	943
	21,527	19,565
Earnings before under noted items	6,764	9,196
Depreciation and amortization	3,870	3,133
Amortization of intangible assets	490	-
Interest on lease obligations	145	208
Compensation costs relating to unit options (Note 13)	37	379
Loss on sale of property, plant and equipment	3	3
Life insurance proceeds (Note 15)	-	(3,000)
Interest income	(158)	(68)
	4,387	655
Earnings before income taxes and non-controlling nterest	2,377	8,541
Income tax expense (recovery) (Note 17)		
Current	(157)	(17)
Future	(48)	122
	(205)	105
Earnings before non-controlling interest	2,582	8,436
Non-controlling interest	(1)	(465)
Net earnings for the year	\$ 2,581	\$ 7,971
Net earnings per trust unit - basic	\$ 0.19	\$ 0.74
Net earnings per trust unit - diluted	\$ 0.19	\$ 0.73
Weighted average number of trust units outstanding		
- basic	13,291,426	10,715,003
- diluted for the effect of unit options and exchangeable Class B LP Units	13,829,028	11,531,020

See accompanying notes to these consolidated financial statements

RAINMAKER INCOME FUND

Consolidated Statement of Unitholders' Equity

For the years ended December 31,

Expressed in thousands of dollars

	Unitholders' Capital	Accumulated Earnings	Accumulated Distributions	Contributed Surplus	Total
Balance as at December 31, 2003, as previously reported	\$ 15,249	\$ 9,691	\$ (12,135)	\$ 335	\$ 13,140
Retroactive restatement to reclassify non-controlling interest (Note 3)	(841)	(791)	670	(19)	(981)
Balance December 31, 2003, as restated	14,408	8,900	(11,465)	316	12,159
Net earnings for the year	-	7,971	-	-	7,971
Distributions declared	-	-	(5,572)	-	(5,572)
Contributed surplus on compenstion costs relating to unit options	-	-	-	358	358
Balance December 31, 2004	14,408	16,871	(17,037)	674	14,916
Net earnings for the year	-	2,581	-	-	2,581
Distributions declared	-	-	(6,388)	-	(6,388)
Contributed surplus on compenstion costs relating to unit options	-	-	-	37	37
Reallocation of contributed surplus on exercise of unit options	80	-	-	(80)	-
Units issued on exercise of options	69	-	-	-	69
Units issued on private placement	19,000	-	-	-	19,000
Conversion of Class B LP Units to Trust units (Note 14)	-	-	-	-	-
	414	-	-	-	414
Balance December 31, 2005	\$ 33,971	\$ 19,452	\$ (23,425)	\$ 631	\$ 30,629

See accompanying notes to these consolidated financial statements

RAINMAKER INCOME FUND

Consolidated Statements of Cash Flows

For the years ended December 31,

Expressed in thousands of dollars

	2005	2004
Operating Activities		
Net earnings for the year	\$ 2,581	\$ 7,971
Items not involving cash		
Depreciation and amortization	4,360	3,133
Loss on sale of property, plant and equipment	3	3
Non-controlling interest	1	465
Compensation costs relating to unit options	37	379
Income tax (recovery) expense – future	(48)	122
	6,934	12,073
Changes in non-cash operating working capital items (Note 18)	2,631	(2,260)
	9,565	9,813
Financing Activities		
Payment of distributions	(6,570)	(7,286)
Payment of distributions to non-controlling interest	(270)	(425)
Proceeds of units issued for cash	19,069	-
Repayment of bank loan	(2,723)	-
Repayment of capital leases	(1,114)	(1,763)
	8,392	(9,474)
Investing Activities		
Purchase of property, plant and equipment, net of \$951 (2004 - \$841) financed with a capital lease	(1,231)	(1,950)
Proceeds on sale of property, plant and equipment	5	18
Acquisition of EP Canada LP, net of cash received	(6,474)	-
Acquisition of Canada Film Capital LP	(3,232)	-
Repayment of loans due from production subsidiaries	2,703	-
Release of restricted cash	-	713
Other	(177)	146
	(8,406)	(1,073)
Increase (decrease) in cash for the year	9,551	(734)
Cash at beginning of year	5,425	6,159
Cash at end of year	\$ 14,976	\$ 5,425
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 142	\$ 208
Cash payments for income taxes	\$ 79	\$ 113
Non-Cash Investing and Financing Activities		
Acquisition of property, plant and equipment financed with a capital lease	\$ 951	\$ 841

See accompanying notes to these consolidated financial statements

RAINMAKER INCOME FUND

Notes to the Consolidated Financial Statements

December 31, 2005 and 2004

(tabular note amounts in thousands of dollars)

1. Nature of operations

Rainmaker Income Fund (the "Fund") is an unincorporated open-ended limited purpose trust established under the laws of the Province of British Columbia and governed by a Declaration of Trust. The Fund provides services to the film and television industry through its operating subsidiaries Rainmaker Limited Partnership ("Rainmaker LP"), EP Canada Limited Partnership (Note 4(a)) ("EP Canada LP") and Canada Film Capital Limited Partnership (Note 4(b)) ("Canada Film Capital LP").

Rainmaker LP provides post production services, including visual effects, EP Canada LP provides payroll processing services and Canada Film Capital LP provides administration and financing of film tax credits.

2. Significant accounting policies

The Fund's accounting policies are in accordance with Canadian generally accepted accounting principles.

(a) *Basis of presentation*

These consolidated financial statements include the accounts of the Fund, RNK Capital Limited Partnership ("RNK Capital LP"), Rainmaker Entertainment Group Ltd. ("REG") and its three principal operating subsidiaries, Rainmaker LP, EP Canada LP and Canada Film Capital LP. All significant intercompany balances and transactions have been eliminated.

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

(b) *Measurement uncertainty*

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas that involve estimates include the provision for doubtful accounts receivable, the depreciation and amortization of property, plant and equipment, the allocation of purchase price on business acquisitions, revenue recognition, including the determination of the percentage completion of specific services and the allocation of administration and finance service fees to the fair value of specific services provided and certain provisions for possible future liabilities. Since estimates and assumptions are limited by the relevance of historical data and uncertainty of future events, actual results could differ from those estimates.

RAINMAKER INCOME FUND

Notes to the Consolidated Financial Statements

December 31, 2005 and 2004

(tabular note amounts in thousands of dollars)

2. Significant accounting policies (Continued)

(c) *Foreign exchange*

Monetary assets and liabilities are translated to Canadian dollars at the rate of exchange in effect at the balance sheet date. Other assets and liabilities are translated at the rates prevailing at the transaction dates. Revenues and expenses are translated at the average rates prevailing during the period, except for depreciation and amortization, which are translated at exchange rates prevailing when the related assets were acquired or liabilities were incurred. Foreign exchange gains and losses are reflected in net earnings for the period.

(d) *Revenue recognition*

- (i) Revenue from post production related services are primarily recognized as the services are performed based on agreed billing rates. Revenue from certain fixed price contracts are recognized using the percentage of completion method based on the ratio of costs incurred as compared to estimated total costs to complete. The timing of revenue recognition may differ from the contract payment schedules. When contract payments have been received in excess of revenue recognized, it is recorded as a deferred revenue liability.
- (ii) Revenue from payroll processing is recognized when a service contract is signed, the service has been provided, the sales price is fixed and determinable and collection is reasonably assured.
- (iii) Revenue from contracts for administration of tax credit programs is recognized using the percentage of completion method based on the ratio of labour hours incurred as compared to total estimated labour hours to complete the contract and related tasks. Revenue from contracts which include a fixed price for both administration and financing of tax credits is recognized using different methods. The contract consideration is allocated to each separable service based on management's estimate of the fair value of each of the administration and financing services. The revenue for administration services is recognized as described above and the revenue for the financing services is recognized using an effective interest rate based on the related consideration applied to the principal balance of funds advanced over the period that the loan to the production subsidiary is outstanding.

RAINMAKER INCOME FUND

Notes to the Consolidated Financial Statements

December 31, 2005 and 2004

(tabular note amounts in thousands of dollars)

2. Significant accounting policies (Continued)

(e) *Unit-based compensation plan*

The Fund has a unit-based compensation plan that is more fully described in Note 13. The exercise price of the unit options granted under the Fund's unit-based compensation plan may be reduced in future periods in accordance with the terms of the plan. The amount of the reduction cannot be reasonably estimated as it is dependent upon the timing and amount of future distributions and as a result, the fair value of the unit options cannot be reasonably estimated on the date of grant. The value of compensation to be recorded is measured each period based on the change in the excess of the current quoted unit price over the exercise price of the unit options at the end of the period.

(f) *Property, plant and equipment*

Property, plant and equipment are recorded at cost.

Effective January 1, 2005, the Fund changed its depreciation rate on its operating equipment from 20% declining balance to straight line over the estimated useful life, which ranges from 1 to 7 years. This change in estimate has been applied prospectively.

Depreciation and amortization is charged to operations over the estimated useful life of the assets at the following annual rates:

Operating equipment	straight line over 1 to 7 years
Software	straight-line over 3 years
Furniture and office equipment	straight-line over 5 years
Leasehold improvements	straight-line over the lesser of the term of the lease and 10 years

Property, plant and equipment are reviewed for impairment on a periodic basis and when the undiscounted estimated future cash flows resulting from the use of the assets and its eventual disposition is less than the carrying value, the difference between the estimated fair value and the carrying value is charged to operations in the period.

(g) *Earnings per unit*

Basic earnings per unit are calculated by dividing the net earnings by the weighted average number of Trust Units outstanding during the reporting period. Diluted earnings per unit are calculated based on the basic weighted average number of Trust Units outstanding during the period, plus the effect of dilutive unit equivalents such as options and Class B LP units (Note 12). The diluted per unit amounts are calculated using the treasury stock method, as if all the unit equivalents where average market price exceeds issue price had been exercised at the beginning of the reporting period, or the period of issue, as the case may be, and that the funds obtained thereby were used to purchase units of the Fund at the average trading price of the units during the period.

RAINMAKER INCOME FUND

Notes to the Consolidated Financial Statements

December 31, 2005 and 2004

(tabular note amounts in thousands of dollars)

2. Significant accounting policies (Continued)

(h) *Income taxes*

The Fund is a mutual fund trust as defined under the Income Tax Act of Canada and accordingly, is not subject to taxation on its earnings to the extent that its earnings are distributed to its unitholders. Accordingly, no provision for income taxes has been made in respect of the Fund or its consolidated non-corporate subsidiaries. The Fund's corporate subsidiaries are subject to tax and follow the asset and liability method of accounting for income taxes. Under this method, temporary differences between the carrying amount of balance sheet items and their corresponding tax bases result in either future income tax assets or liabilities. Future income taxes are computed using substantially enacted tax rates for the years in which the differences are expected to reverse. Future income tax assets are only recognized to the extent that, in the opinion of management, assets will more likely than not be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the date of enactment or substantive enactment.

(i) *Consolidation of variable interest entities*

Effective with the acquisition of Canada Film Capital LP, the Fund has adopted consolidation of variable interest entities, CICA Handbook Accounting Guideline 15 ("AcG 15"). AcG 15 provides guidance for application of consolidation principles to those entities defined as variable interest entities ("VIE"). A VIE is an entity in which equity investors do not have a controlling financial interest and include entities where the equity invested is considered insufficient to finance the entity's activities without additional subordinated financial support. Under AcG 15, the Fund is required to consolidate a VIE that results in the Fund being exposed to a majority of expected losses and benefit from a majority of expected residual returns, or both. The Fund has determined that certain subsidiaries of Canada Film Capital LP (Note 4(b)) engaged in film production are VIE's, however, as the Fund is not exposed to the majority of expected losses or benefits of these subsidiaries, accordingly they have not been consolidated as described in Note 7(c). The adoption of AcG15 did not have a material impact on the results of operations and financial position of the Fund prior to the date of acquisition of Canada Film Capital LP.

(j) *Asset Retirement Obligations*

The Fund prospectively adopted the recommendations of CICA Handbook Section 3110 "Asset Retirement Obligations" as of January 1, 2004. These recommendations focus on the recognition and measurement of liabilities for obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operations of the assets. These obligations, if material, are recorded at fair value and capitalized and depreciated as part of the cost of the related asset.

RAINMAKER INCOME FUND

Notes to the Consolidated Financial Statements

December 31, 2005 and 2004

(tabular note amounts in thousands of dollars)

2. Significant accounting policies (Continued)

(k) Goodwill

All business acquisitions are accounted for using the purchase method. Goodwill is carried at cost, is not amortized and represents the excess of the purchase price of a business acquired over the fair value of the net identifiable tangible and intangible assets. Goodwill is assessed for impairment at the business unit level on an annual basis, or sooner if events or changes in circumstances indicate that carrying value could exceed fair value. Goodwill is assessed using a two step approach, with the first step being to assess whether the fair value of the reporting unit to which goodwill is associated is less than its carrying value. If this is the case, a second step impairment test is performed which requires comparison of the fair value of goodwill to its carrying value. If the fair value is less than carrying value, goodwill is impaired and a charge to operations is made. The fair value of the reporting units is determined from internally developed valuation models that consider various factors such as normalized and projected earnings, present value of future cash flows and discount rates.

(l) Intangible assets

Intangible assets include a license agreement and customer contacts and relationships, which were acquired as part of the business acquisitions (Note 4) and have been recorded at the estimated fair value at the date of acquisition. The license agreement is being amortized straight line over the initial term of the agreement to December 31, 2011 and the customer contacts and relationships are being amortized straight line over the estimated useful life of between 5 and 8 years. Intangible assets are assessed for impairment on at least an annual basis and the Fund makes a determination whether or not there has been an impairment to the intangible asset based on the undiscounted future cash flows and, if necessary, records an impairment charge to write-down the assets to the estimated fair value.

3. Change in accounting policy and retroactive restatement

The Fund retroactively adopted the new recommendations of the Canadian Institute of Chartered Accountants as described in EIC-151 "Exchangeable Securities issued by Subsidiaries of Income Trusts". The Class B Limited Partnership units (the "Class B LP units") issued by RNK Capital LP, a subsidiary of the Fund, which are held by third parties are entitled to receive distributions, are exchangeable for units of the Fund and are transferable in certain circumstances. EIC-151 requires that such securities be classified as non-controlling interests on the balance sheet. The retroactive effect of this change to the consolidated balance sheet as at December 31, 2004 is to increase non-controlling interest by \$1,142,085, decrease unitholders' capital by \$841,326, decrease accumulated distributions by \$994,836, decrease contributed surplus by \$39,357 and decrease accumulated earnings by \$1,256,238. The effect of this change on the consolidated statements of operations for the year ended December 31, 2005 is to decrease the net earnings by \$694.

RAINMAKER INCOME FUND

Notes to the Consolidated Financial Statements

December 31, 2005 and 2004

(tabular note amounts in thousands of dollars)

4. Business acquisitions

(a) Acquisition of EP Canada Limited Partnership

RNK Capital LP, a subsidiary of the Fund, acquired EP Canada Limited Partnership ("EP Canada LP") for cash consideration of approximately \$15.7 million including costs. Immediately prior to the acquisition by RNK Capital LP, the business of EP Canada Inc. ("EP Canada") was transferred to EP Canada LP, a newly formed limited partnership. EP Canada LP provides payroll services to the film and television production industry across Canada from offices in Toronto and Vancouver. EP Canada delivers some of its services under license from GEP Administrative Services, Inc. an affiliate of Entertainment Partners of Los Angeles.

The acquisition of EP Canada LP has been accounted for using the purchase method with earnings being included in the consolidated operations from August 4, 2005, the date of acquisition. A summary of the net assets of EP Canada LP acquired at fair value as at August 4, 2005 is as follows:

Cash	\$ 9,239
Accounts receivable	1,393
Other current assets	167
Property, plant and equipment	5,148
Intangible asset - License agreement	6,400
Intangible asset - Customer contacts and relationships	700
	<hr/> 23,047
Accounts payable and accrued liabilities	8,987
Capital lease obligations payable	301
	<hr/>
Net assets acquired	13,759
Goodwill	1,954
	<hr/>
Purchase price	\$ 15,713

RAINMAKER INCOME FUND

Notes to the Consolidated Financial Statements

December 31, 2005 and 2004

(tabular note amounts in thousands of dollars)

4. Business acquisitions (continued)

(b) *Acquisition of Canada Film Capital Limited Partnership*

RNK Capital LP, a subsidiary of the Fund, acquired Canada Film Capital Limited Partnership ("Canada Film Capital LP") for cash consideration of approximately \$3.2 million including costs. Immediately prior to the acquisition by RNK Capital LP, the business of Comweb Film Capital Corporation ("CFCC") was transferred to Canada Film Capital LP, a newly formed limited partnership. Canada Film Capital LP provides film tax credit administration services and financing through factoring tax credits.

The acquisition of Canada Film Capital LP was accounted for using the purchase method with earnings being included in the consolidated operations from August 4, 2005 the date of acquisition. A summary of the net assets of Canada Film Capital LP acquired at fair value as at August 4, 2005 is as follows:

Accounts receivable	\$ 3,417
Loans due from production subsidiaries	19,871
Other current assets	309
Property, plant and equipment	15
Intangible asset - Customer contacts and relationships	451
	<hr/>
	24,063
Accounts payable and accrued liabilities	1,589
Bank loan	19,242
	<hr/>
Net assets acquired and purchase price	<u>3,232</u>

RAINMAKER INCOME FUND

Notes to the Consolidated Financial Statements

December 31, 2005 and 2004

(tabular note amounts in thousands of dollars)

5. Property, plant and equipment

			2005	2004
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Operating equipment	\$ 17,699	\$ 7,062	\$ 10,637	\$ 11,897
Software	2,783	615	2,168	348
Leasehold improvements	1,880	496	1,384	855
Furniture and office equipment	557	113	444	160
	\$ 22,919	\$ 8,286	\$ 14,633	\$ 13,260

Operating equipment and software includes assets under capital lease, which have a cost at December 31, 2005 of \$4,630,569 (2004 - \$10,863,051) and \$115,460 (2004 - \$115,460), respectively, and a net book value of \$2,807,162 (2004 - \$4,229,666) and \$Nil (2004 - \$35,285), respectively.

Property, plant and equipment held for resale consists of two office buildings in North Vancouver, British Columbia that were acquired as part of the acquisition of EP Canada LP (Note 4(a)). The carrying amount represents the estimated net realizable value.

6. Intangible assets and goodwill

(a) Intangible assets

			2005	2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
License agreement	\$ 6,400	\$ 416	\$ 5,984	\$ -
Customer contacts and relationships	1,151	74	1,077	-
	\$ 7,551	\$ 490	\$ 7,061	\$ -

The intangible assets were acquired in connection with the acquisition of EP Canada LP and Canada Film Capital LP and are recorded at management's estimate of the fair value at the date of acquisition (Note 4).

(b) Goodwill

	2005	2004
EP Canada LP	\$ 1,954	\$ -

RAINMAKER INCOME FUND

Notes to the Consolidated Financial Statements

December 31, 2005 and 2004

(tabular note amounts in thousands of dollars)

7. Other assets

	2005	2004
Current		
Prepaid expenses	\$ 514	\$ 239
Inventory	222	159
Other	34	34
	\$ 770	\$ 432
Non-Current		
Deferred lease commission	166	187
Deferred employee compensation	180	-
Investment in production subsidiaries, at cost	1	-
Other	37	33
	\$ 384	\$ 220

(a) *Deferred lease commission*

The deferred lease commission represents a commission paid to negotiate a long term building lease and is being amortized over the 15 year lease term.

(b) *Deferred employee compensation*

An amount of \$180,000 was made available to a senior employee to assist with the purchase of a home upon relocation. The amount is non-interest bearing and may be forgiven over three years, commencing August 4, 2005, based on annual financial targets. Any amount that is forgiven will be recognized as compensation expense in the period it is earned.

(c) *Investment in production subsidiaries*

In order to provide its services of administration and financing of film tax credits, Canada Film Capital LP incorporates a single purpose production company (the "Producer"), on behalf of the foreign studio, which is used for the production of film and television programs. The Producer, which is wholly-owned by Canada Film Capital LP, and the foreign studio enter into a production services agreement under which the foreign studio is responsible for all costs.

Although Canada Film Capital LP is the sole shareholder, the Fund has concluded that these production subsidiaries are variable interest entities as the Fund does not have a controlling financial interest. As the Fund is not exposed to the majority of expected losses and does not benefit from a majority of the expected residual returns the Fund has concluded that it is not the primary beneficiary and as a result has not consolidated these entities. Consequently the investment in these companies is recorded at cost.

The Fund's exposure to loss in connection with these production subsidiaries is limited to the receivable for fees (Note 21(a)(i)) and the loans to production subsidiaries (Note 21(a)(iii)).

RAINMAKER INCOME FUND

Notes to the Consolidated Financial Statements

December 31, 2005 and 2004

(tabular note amounts in thousands of dollars)

8. Liability for payroll disbursements

EP Canada LP receives advances from production companies for payroll disbursements in connection with provision of its payroll processing services which are recorded as a liability until such time as they are disbursed. Interest on these funds accrues to the benefit of the Fund.

9. Bank loan

The bank loan is advanced under a 364 day extendable revolving credit facility of up to \$33.0 million which is available to Canada Film Capital LP for the purpose of providing financing to its production subsidiaries through which production services are provided to foreign studios. The revolving credit facility is extendable annually subject to appropriate approvals, with each extension having a duration of 364 days. The bank loan bears interest at prime plus one-half percent per annum and is repayable based on the terms of the credit facility.

Security for the bank loan includes:

- A general security agreement given by Canada Film Capital LP;
- Subordinations and postponements of claims given by RNK Capital LP and the Fund;
- Securities pledge agreements given by RNK Capital LP of its partnership units in Canada Film Capital LP;
- An unlimited recourse guarantee, secured by a general security agreement, given by RNK Capital LP, and
- An assignment of loans due from production subsidiaries with a carrying amount of approximately \$17.2 million at December 31, 2005.

10. Other liabilities

	2005	2004
Deferred lease inducement	\$ 669	\$ 750
Other	50	127
	<u>\$ 719</u>	<u>\$ 877</u>

The deferred lease inducement represents funds received from the landlord for build renovations. The amount received has been deferred and is amortized to operations over the of the lease.

RAINMAKER INCOME FUND

Notes to the Consolidated Financial Statements

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(tabular note amounts in thousands of dollars)

11. Capital lease obligations payable

	2005	2004
Interest at 5.325% per annum expiring September 2010	\$ 894	\$ -
Interest at 5.525% per annum expiring April 2009	580	727
Interest at 6.225% per annum expiring July 2007	790	1,211
Interest at 7.475% per annum expiring December 2006	110	-
Interest at 6.30% per annum expiring December 2006	140	258
Interest at 9.267% per annum expiring July 2006	104	
Interest at 7.978% per annum expiring July 2006	12	-
Interest at 7.86% per annum expiring April 2005	-	296
	2,630	2,492
Less: Current portion	(1,133)	(982)
	\$ 1,497	\$ 1,510

The capital leases are secured by the related property, plant and equipment (Note 5). The future minimum lease payments are as follows:

2006	\$ 1,257
2007	742
2008	391
2009	296
2010	186
	2,872
Less: imputed interest	(242)
	\$ 2,630

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(tabular note amounts in thousands of dollars)

12. Unitholders' capital

	2005		2004	
	Number of Trust Units	Amount	Number of Trust Units	Amount
Balance at beginning of year	10,715,003	\$ 14,408	10,715,003	\$ 14,408
Issued for cash pursuant to a private placement	5,846,155	19,000	-	-
Issued for cash on the exercise of unit options	43,334	69	-	-
Reallocation of contributed surplus on the exercise of unit options	-	80	-	-
Conversion of Class B LP Units to Trust Units (Note 14)	284,947	414	-	-
Balance at end of year	16,889,439	\$ 33,971	10,715,003	\$ 14,408

Each Trust Unit of the Fund is transferable and represents an equal undivided beneficial interest in the net assets of the Fund and entitles the holder to participate equally in distributions of the Fund. Each Trust Unit held entitles the unitholder to one vote at all meetings of unitholders. The Trust Units have no conversion, retraction, redemption or pre-emptive rights, except that they are redeemable at any time on demand of the holder at amounts related to market prices at the time of redemption, subject to an aggregate maximum of \$50,000 in cash redemptions in any particular month. This limitation may be waived at the discretion of the Trustees of the Fund.

On August 4, 2005, the Fund completed a private placement of 5,846,155 Trust Units at a price of \$3.25 per unit for net proceeds of \$19,000,004.

During the year ended December 31, 2005, a total of 284,947 Trust Units were issued for no consideration on the exchange of an equal number of Class B LP units of RNK Capital LP. The exchange resulted in the reclassification of \$414,016 from non-controlling interest (Note 14) to unitholders' capital.

RAINMAKER INCOME FUND

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13. Unit based compensation plan

The Fund has a variable price unit option plan and under this plan the Fund may grant options to its employees to allow them to purchase up to 680,000 Trust Units of the Fund. The exercise price of each option granted is equal to the Fund's closing unit price on the day prior to the date of grant and the maximum term is ten years. The exercise price is reduced by the amount of the monthly per unit distributions of the Fund.

As at December 31, 2005 there were unit options granted to allow employees to purchase a total of 360,000 Trust Units (2004 – 403,334 Trust Units). These options expire on June 3, 2012. As at December 31, 2005 the exercise price is \$1.40 per unit (December 31, 2004 - \$1.88) and it will decrease monthly by the amount of distributions declared and paid.

	<u>2005</u>	<u>2004</u>
Balance at beginning of year	403,334	425,000
Exercised in the year (Note 12)	(43,334)	-
Expired	-	(21,666)
Balance at end of year	<u>360,000</u>	<u>403,334</u>

The value of compensation to be recorded is measured each period using a variable accounting method based on the difference between the current unit price and the exercise price of the unit options at the end of the period. The quoted market price of the Trust Units as at December 31, 2005 was \$3.25 (2004 - \$3.94), whereas the exercise price as at December 31, 2005 was \$1.40 (2004 - \$1.88) per unit.

14. Non-controlling interest and special voting units

On the formation of the Fund on May 31, 2002, the former shareholders of Rainmaker Entertainment Group Ltd. either received Trust Units of the Fund or Class B LP Units of RNK Capital LP, a majority owned limited partnership of the Fund. The Class B LP Units have the same economic and voting rights equivalent, in all material respects, to the Trust Units and are exchangeable on a one for one basis for Trust Units of the Fund for no additional consideration at any time at the option of the holder. The Class B LP Units are transferable, with certain restrictions, and the holders are entitled to a pro-rata share of income and distributions.

RAINMAKER INCOME FUND

Notes to the Consolidated Financial Statements

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(tabular note amounts in thousands of dollars)

14. Non-controlling interest and special voting units (Continued)

Details of the Class B LP Units, which are recorded as non-controlling interest in these financial statements, are as follows:

	2005		2004	
	Number of Class B LP Units	Amount	Number of Class B LP Units	Amount
Balance at beginning of year	625,683	\$ 1,142	625,683	\$ 981
Allocation of earnings		1		465
Payment of distributions		(233)		(325)
Allocation of contributed surplus		-		21
Conversion of Class B LP Units to Trust Units (Note 12)	(284,947)	(414)		-
Balance at end of year	340,736	\$ 496	625,683	\$ 1,142

The Fund may issue special voting units from time to time to holders of record of securities. The holders of special voting units are entitled to such number of votes at meetings of unitholders as may be determined by the Trustees at the time of issuance but shall not be entitled to any distributions from the Fund. Special voting units have been issued to the holders of the Class B LP Units on the basis of one special voting unit for each Class B LP Unit held.

15. Life insurance proceeds

The life insurance proceeds relate to a key man term life insurance policy held by Rainmaker LP on the life of Bob Scarabelli, the former president and CEO, who died suddenly on September 8, 2004 from natural causes.

RAINMAKER INCOME FUND

Notes to the Consolidated Financial Statements

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16. Contingent liabilities and commitments

(a) Commitments

The Fund has various operating leases with remaining terms up to nine years plus renewal options. Future minimum lease payments under these operating leases are as follows:

2006	\$ 1,467
2007	1,317
2008	1,289
2009	1,174
2010	1,142
Thereafter	1,962
	<hr/>
	\$ 8,351

(b) License fees

The Fund is a party to a license agreement with GEP Administrative Services Inc. (dba Entertainment Partners of Los Angeles), which expires on December 31, 2011. The license agreements allows for the use of the name EP Canada and allows EP Canada LP to market the VISTA™ Software System in Canada amongst other benefits. Pursuant to the license agreement the Fund, pays a quarterly fee equal to a specified percentage of payroll service revenue.

(c) Litigation

The Fund and its subsidiaries, may from time to time, be a party to certain legal disputes and claims that arise in the normal course of business, none of which individually, or in aggregate, are expected to have a material adverse effect of the Fund's financial position. The Fund maintains provisions for certain of these items, which it considers to be adequate.

RAINMAKER INCOME FUND

Notes to the Consolidated Financial Statements

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(tabular note amounts in thousands of dollars)

17. Income taxes

The Fund is a "mutual fund trust" as defined under the Income Tax Act (Canada) and accordingly is not taxable on its income to the extent that its income is distributed to its unitholders. This exemption does not apply to the Fund's corporate subsidiaries, such as REG, that are subject to income tax.

The significant variations between the combined statutory federal and provincial tax rates of 34.9% (2004 - 35.6%) and the effective tax rate are as follows:

	2005	2004
Earnings before income taxes and non-controlling interest	\$ 2,377	\$ 8,541
Net earnings of the Fund subject to tax in hands of unitholders	(2,656)	(8,649)
Net (loss) earnings of subsidiary companies before provision for income taxes	(274)	108
Expected (recovery) provision for income taxes at statutory rates	(99)	38
Valuation allowance on loss of foreign subsidiary	55	-
Revision of prior years estimates	(122)	(27)
Other	(39)	94
Income tax (recovery) expense	\$ (205)	\$ 105

Pursuant to Emerging Issues Committee Abstract 107 "Application of CICA 3465 to Mutual Fund Trusts, Real Estate Investment Trusts, Royalty Trusts and Income Trusts" the Fund does not recognize any future income tax assets or liabilities on temporary timing differences in the Fund. There are no material future income tax assets or liabilities on temporary differences relating to the Fund's consolidated corporate subsidiaries.

18. Changes in non-cash operating working capital

	2005	2004
Accounts receivable	\$ 247	\$ (74)
Other current assets	138	(95)
Accounts payable and accrued liabilities	671	(2,091)
Deferred revenue	1,575	-
	\$ 2,631	\$ (2,260)

RAINMAKER INCOME FUND

Notes to the Consolidated Financial Statements

December 31, 2005 and 2004

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19. Business segments

The Fund operates in three distinct business segments with each segment offering different services to the film and television industry. Rainmaker LP provides post production services, EP Canada LP provides payroll services and Canada Film Capital LP provides film tax credit administration and financing through factoring tax credits.

In 2004, the Fund operated in only one segment, that of Rainmaker LP.

The amounts shown below for EP Canada LP and Canada Film Capital LP are from the date of acquisition, August 4, 2005 to December 31, 2005

	Year ended December 31, 2005				
	Rainmaker LP	EP Canada	Canada Film Capital	Other	Total
Revenue	\$ 20,231	\$ 6,287	\$ 1,773	\$ -	\$ 28,291
Segment earnings (loss) before undernoted	\$ 3,822	\$ 3,058	\$ 538	\$ (654)	\$ 6,764
Depreciation and amortization of property, plant and equipment	3,548	380	2	-	3,930
Amortization of intangible assets	-	452	38	-	490
Amortization - other	(60)	-	-	-	(60)
Loss on sale of property, plant and equipment	3	-	-	-	3
Compensation costs related to unit options	37	-	-	-	37
Interest on lease obligations	136	9	-	-	145
Interest income	(56)	(58)	-	(44)	(158)
Segment Earnings before income tax and non-controlling interest	\$ 214	\$ 2,275	\$ 498	\$ (610)	\$ 2,377
Expenditures for segment property, plant and equipment	\$ 2,135	\$ 32	\$ 15	\$ -	\$ 2,182

	December 31, 2005				
	Rainmaker LP	EP Canada	Canada Film Capital	Other	Total
Goodwill	\$ -	\$ 1,954	\$ -	\$ -	\$ 1,954
Total assets	\$ 17,900	\$ 25,853	\$ 22,549	\$ 437	\$ 66,739

RAINMAKER INCOME FUND

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20. Financial instruments, risks and other matters

(a) *Financial instruments*

Financial instruments include cash, accounts receivable, loans due from production subsidiaries, accounts payable and accrued liabilities, liability for payroll disbursements, bank loan, distributions payable and capital lease obligations payable, the fair values of which approximate the carrying values.

(b) *Foreign exchange risk*

The Fund is not exposed to significant foreign exchange risk, except for revenue denominated in United States dollars and United Kingdom pounds. In 2005 revenue denominated in United States dollars accounted for 7% (2004 – 20%) of total revenue. Revenue denominated in pounds for 2005 and 2004 was not material. The Fund does not currently use derivative instruments to manage foreign exchange risk.

(c) *Credit risk*

Substantially all of the Fund's customers are in the entertainment industry and are subject to normal industry credit risks. Credit risk is managed through a credit approval process and monitoring procedures.

As at December 31, 2005, 2 customers each accounted for over 10% of accounts receivable and together they accounted for 31% of accounts receivable. As at December 31, 2004, three customers each accounted for over 10% of accounts receivable and together they accounted for 50% of accounts receivable.

(d) *Customer concentration*

During the year ended December 31, 2005, the Fund had one customer that accounted for 13% of the total revenue. During the year ended December 31, 2004, the Fund had two customers that each accounted for over 10% of the total revenue and together they accounted for 44% of total revenue.

RAINMAKER INCOME FUND

Notes to the Consolidated Financial Statements

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21. Related party transactions

- (a) The Fund does not consolidate certain of its subsidiaries as discussed in Notes 2(i) and 7(c) on the basis that the Fund does not have a controlling financial interest. Details of transactions with these non-consolidated production subsidiaries are as follows:
- (i) As at December 31, 2005, accounts receivable includes \$4,568,032 (2004- \$Nil) due from production subsidiaries.
 - (ii) As at December 31, 2005, accounts payable and accrued liabilities includes \$686,981 (2004 -\$Nil) due to production subsidiaries.
 - (iii) Loans due from production subsidiaries earn a financing fee, are due on demand and are secured by an assignment of and security interest over film production tax credits due to the production subsidiaries.
 - (iv) Revenue for the year ended December 31, 2005 includes \$2,784,566 (2004 - \$Nil) for fees and services provided to production subsidiaries at market rate for these services.
- (b) As at December 31, 2005 accounts receivable includes \$295,129 due from companies controlled by a Trustee of the Fund.

22. Subsequent events

Subsequent to December 31, 2005, the Fund:

- (a) declared distributions of \$0.04 per unit to unitholders of record on each of January 31, 2006, February 28, 2006 and March 31, 2006; and
- (b) sold one of its two properties held for resale (Note 5) for net proceeds of approximately \$1.8 million, which approximates the carrying amount.